

Insurance Corporation of British Columbia
PERFORMANCE PLAN 2001 - 2004



April 1, 2001

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BACKGROUND

In the late 1960s, then Premier W.A.C. Bennett called for a royal commission – the Wooten Commission – to examine the systematic issues which had affected B.C. drivers as they sought to obtain insurance or settle claims with insurers. The commission recommended solutions to the long-standing challenges facing British Columbians looking for fair and reliable auto insurance.

As a result of the Wooten Commissions' findings and years of deliberation, a public insurance system was introduced in 1973 with the creation of the Insurance Corporation of British Columbia (ICBC). The foundation of that system is built on four guiding objectives:

- to provide universal coverage
- to provide affordable and non-discriminatory rates
- to encourage safe driving by investing in programs that prevent crashes and reduce injuries and deaths
- to operate for the benefit of British Columbians by providing insurance and investing its reserve funds in and for B.C.

In addition to the fulfillment of these key objectives, ICBC generates a range of other benefits enjoyed by British Columbians.

- As ICBC is owned by the people of the province, when the Corporation does well financially, B.C.'s drivers enjoy rewards like the dividend that was recently distributed to more than 2 million policyholders.
- ICBC is a public corporation with a break-even mandate, and its insurance rates have been steady for six consecutive years.
- With the mission to "take the risk out of road transportation", ICBC's focus is not only on providing affordable auto insurance to all British Columbians but also on reducing crashes, fatalities, and injuries for which ICBC is recognized as a world leader.

As the third largest company in the province, ICBC generates a significant amount of economic activity and manages an investment portfolio worth more than \$6 billion. Again, because it is publicly owned, ICBC is committed to managing its business and investment decisions to maximize social and economic benefits for all British Columbians.

INTRODUCTION

The ICBC strategic business plan is based on the corporate mission, *Helping British Columbians take the risk out of road transportation*. Our vision is for BC to have the safest road transportation system with the best insurance protection in North America.

Our primary strategic objective is to deliver customer-valued products and services to minimize premiums.

Externally, ICBC is facing several challenges today. The corporation is operating in an increasingly competitive environment for optional insurance coverage against a number of private insurers. Customers of financial products are demanding choice, service and innovation all at the lowest price. In addition, E-business developments and changes in the financial services sector are having an impact on consumer expectations as the 21st century unfolds.

Facing these pressures, ICBC's corporate strategy must be flexible and adaptable. A continuous strategic planning process ensures we have the ability to respond quickly to important changes in the auto insurance industry and road safety.

This performance plan describes ICBC's plans for the 2001 to 2004 period. Adjustments will be made throughout this period to take into account changes in the operating environment. These adjustments are made through changing the relative emphasis placed on the Corporation's strategic objectives. To reinforce this responsiveness, ICBC establishes annual targets for its performance measures.

To achieve our mission, our overall corporate strategy is to reduce the costs of road transportation for all British Columbians by saving lives and saving money. To achieve these objectives, ICBC will systematically implement comprehensive customer-valued loss prevention, protection, and recovery initiatives.

We have the following primary strategic objectives:

- To be customer driven.
- To be financially sound.
- To be community based.
- To be an organization of highly capable and engaged people.



By ensuring that everything we do – provincially, regionally, divisionally, departmentally and individually – supports these objectives, we can focus our energies and strive to realize our vision.

As ICBC competes with other carriers by offering extended third-party legal liability and other optional insurance coverages, commercially sensitive information that relates to the competitive business has not been included. Strategic initiatives have also not been included as they consist of policy advice currently under development and consideration.

MISSION

Corporate Profile

The Insurance Corporation of British Columbia (ICBC) is a provincial Crown Corporation established in 1973 to provide universal auto insurance to BC motorists. ICBC is also responsible for all driver and vehicle-related services, including commercial vehicle compliance.

All motorists in BC are required to buy a basic package of ICBC Autoplan insurance that includes accident benefits, minimum third-party legal liability protection and underinsured motorists protection. The Corporation competes with other carriers by offering extended third-party legal liability and other optional insurance coverage.

In setting premiums, we do not discriminate on the basis of age, sex or marital status. We receive insurance premiums from more than 2.5 million motorists and invest these premiums to provide insurance benefits for our customers and victims of crashes.

Our Mission

ICBC's mission is helping British Columbians take the risk out of road transportation.

We work with communities and stakeholder groups to help them realize mutual road safety goals. ICBC has launched a broad range of programs to improve driver behavior, make vehicles safer and enhance road infrastructure. We also promote safe driving through a series of public education efforts and through important partnerships such as the one with Autoplan brokers under the umbrella of RoadSense Team.

Working toward that goal means providing effective and reliable auto insurance to all British Columbia motorists and developing and implementing a wide range of loss prevention initiatives. The Corporation is guided in this endeavour by a 12-member Board of Directors appointed by the Lieutenant-Governor-in-Council. Board members set the direction and goals of ICBC and are responsible for ensuring the overall financial health and operating results, while day-to-day management is the responsibility of the management of the Corporation.



VISION & VALUES

Our vision is to ensure BC has the safest road transportation system with the best insurance protection in North America.

Our Vision of Success

The following describes how ICBC will be successful. In some of these areas, ICBC has made considerable progress to date. In other areas, ICBC is continuing to work towards this vision.

- ICBC's excellence in taking the risk out of road transportation will result in the best record in North America for saving lives and saving money.
- ICBC will save lives and money through comprehensive loss prevention (e.g. road safety), insurance protection, and recovery initiatives.
- ICBC will deliver customer-valued safety and insurance products and services to minimize premiums

Values

ICBC's values are integrity, commitment and dedication to customers. These values are reflected in our actions, strategies and corporate policies.

ENVIRONMENTAL SCAN AND STRATEGIC ISSUES

An examination of ICBC's economic and business environment shows a number of challenges. The insurance industry in the year 2001 is profoundly different than the one that ICBC entered 28 years ago.

Customer Issues

Financial product consumers are increasingly aware of the wide range of product and service choices being offered. Many customers have the ability to select products that meet their needs including:

- low price products,
- fair claims adjusting, and
- friendly, efficient service for insurance, claims, and licencing.

Competition

For most of the past 28 years, ICBC has competed for a significant portion of its business. Technology, industry trends and globalization have intensified competition.

Some of the significant trends shaping the competitive environment:

- Growing public awareness of alternative products,
- More competitors in the marketplace,
- Focus on niche markets by competitors, and
- Few barriers to entry .

Financial Challenges

Five years ago, ICBC embarked on a significant change in its direction. With the merger with the Motor Vehicle Branch, ICBC became more than an insurance company. To the existing business, ICBC acquired the mandate for a broad range of driving issues including licensing and compliance.



At that time, even though significant financial losses due to increased claims costs were forecasted, ICBC faced the further challenge of a five-year freeze on premiums. To hold the line on premiums, ICBC increased investment in road safety initiatives through the Six Point Plan aimed at making BC roads safer, reducing auto theft and fraud and keeping insurance affordable.

ICBC's efforts paid off with fewer claims and claims costs, and in some cases, reduced rates. The Corporation stayed true to its mission of "helping British Columbians take the risk out of road transportation" and became an acknowledged leader globally in making driving safer. As a result of this and a well-managed investment portfolio twice in the past three years, ICBC has shared the benefits with its policyholders in the form of a dividend.

ICBC is now looking ahead to the additional challenges the Corporation will likely be facing in an increasingly competitive business environment. Minimizing premiums to provide customer value is still the number one focus, but the approach to accomplishing this and remaining financially stable is key.

Despite the benefits that come from road safety and claims cost reduction programs, ICBC's costs will continue to rise with the inevitable increase in the cost of living and a forecast for greater numbers of claims. ICBC will continue to invest in road safety, but savings may not be at the same level as those previously achieved. At the same time, ICBC is committed to minimizing premiums for our customers and to long-term financial growth and sustainability.

The Property and Casualty industry is experiencing similar challenges. In 2000, the industry overall saw increased claims and worsened underwriting losses despite important investment gains. The year 2000 also appears to be showing a general trend towards lower earnings as many corporations are reporting weaker underwriting results and modest profits.

Consolidation in the Industry

The financial services industry – including insurance – has undergone greater change in the past 10 years than the previous 40. Consolidation and "merger mania" have been the dominant trends for more than a decade, with no sign of slowing down. During this period, the number of products available to consumers has exploded; one-stop shopping for all financial services is now possible under one roof—either virtual or physical. The national consolidation trend also continued in 2000 within the broker sector.

Along with the expansion in product choice has come a change in distribution channels, with consumers now having a range of options for how they purchase

The first section of the report deals with the general situation of the country and the progress of the work during the year. It is followed by a detailed account of the work done in each of the various departments and sections of the organization.

The second section of the report deals with the financial position of the organization. It gives a detailed account of the income and expenditure for the year, and also of the assets and liabilities of the organization.

The third section of the report deals with the personnel of the organization. It gives a detailed account of the staff and their work, and also of the training and development of the staff.

The fourth section of the report deals with the results of the work done during the year. It gives a detailed account of the achievements of the organization, and also of the problems and difficulties encountered during the year.

The fifth section of the report deals with the future of the organization. It gives a detailed account of the plans and proposals for the future, and also of the resources and facilities available for the future.

The sixth section of the report deals with the conclusions of the work done during the year. It gives a detailed account of the findings of the work, and also of the recommendations for the future.

The seventh section of the report deals with the appendixes. It gives a detailed account of the various documents and materials used in the work, and also of the various tables and charts used in the report.

The eighth section of the report deals with the index. It gives a detailed account of the various topics and subjects covered in the report, and also of the various pages and sections where they can be found.

insurance and other financial products. The over-riding priority for these new consolidated competitors is customer focus.

Traditional Separation between Financial and Insurance Services is crumbling

To date, federal regulation continues to prohibit the Canadian banking industry from selling insurance from branches and entering into the auto leasing business. However, recent actions by the Federal Government indicate that changes may be imminent. The Federal Government has indicated that it is looking to develop a framework that promotes growth, fosters domestic competition, empowers consumers and improves the regulatory environment.

The ability of banks to cross-market financial products – such as mortgages, life insurance and home owners insurance – will be greatly enhanced by the existing personal relationships and individual customer information to which banks already have access. The ability of a bank to target a consumer's particular needs with non-insurance products that it offers will provide it with an enormous advantage over insurance companies. In addition, the major banks already have strong branch networks in place, and they are expanding their distribution networks to include kiosk operations in supermarkets.

Continuing the blurring of the lines between the insurance and financial sectors, brokers continued to expand the products available to them. Some financial services companies are encouraging their brokers to sell additional products such as life products, mutual funds and segregated funds.

Road Safety Programs

Often in partnership with other organizations, ICBC has launched a broad range of programs to improve driver behaviour, make vehicles safer and enhance road infrastructure. We are starting to see returns on these investments in public safety; the resources allocated to programs such as the Six Point Plan and Road Sense were significant and are now reducing the frequency and severity of crashes.

British Columbians have enjoyed over six years of stable rates with no increases to premiums since 1995. In September 2000, ICBC introduced changes to the claim rated scale to better reward BC's long-term safe drivers. Roadstar and Roadstar Gold customers received increased discounts on optional coverage for each year of safe driving.

Continuing the successes we have experienced to date will require a continued and renewed commitment to keeping our roads safe. A challenge is to continue to deliver road safety programs, which have a direct and measurable impact on reducing crashes.

New Technologies

New technologies such as web-based e-commerce present both opportunities and challenges. These technologies are transforming the way the insurance industry is doing business.

Some insurers are now selling insurance by telephone. Others are providing multiple access points for customers such as kiosks, Internet sites, and attendance at crash scenes.

Insurance companies are looking to enhance information systems to provide differentiated products and services for individual customer groups and to improve service levels. Major issues and decisions facing ICBC must be looked at from a technology perspective, and new initiatives must build on the strengths and value of emerging technologies.

ICBC, along with other established property and casualty companies, is continuing to determine what to do about the growing impact of e-business on the auto industry.



STRATEGIC GOALS AND OBJECTIVES

Strategic planning is a continually evolving process based on measurement, feedback and the changing environment. In a competitive industry such as the insurance business today, companies have to be able to change direction quickly. To respond to the competitive challenges, ICBC's corporate strategy must be flexible and adaptable.

ICBC's overall corporate strategy:

We save lives and money by reducing the personal and financial costs of road transportation for all British Columbians. This will be achieved by systematically implementing wide-ranging and effective loss prevention, insurance protection and recovery initiatives our customers support and believe in.

ICBC objectives

ICBC has one primary objective: to ensure we are a customer-driven organization. This customer-focused objective is buttressed by three supporting objectives. We aim to ensure that everything we do – provincially, regionally, divisionally, departmentally and individually – supports one or more of these objectives.

The strategic performance plan is based on the corporate mission, *Helping British Columbians take the risk out of road transportation*, and groups the strategic objectives into the following categories:

High Level Objectives

- Customer – *ICBC will be customer driven.*

ICBC will deliver customer-valued products and services to minimize premiums.

- Financial – *ICBC will be financially sound.*

ICBC will manage revenues, costs, investments, and liabilities to maximize customer value, to minimize premiums and costs, and to be financially sound.

- Stakeholder – *ICBC will be community-based.*

ICBC's community partnerships will add value for BC communities and achieve road safety results.

- Employee – *ICBC will be an organization of highly capable and engaged people.*

ICBC will be the company of choice – united in purpose and passion for our customers and for ourselves.

PERFORMANCE MEASURES

ICBC's performance management system includes a set of understandable and actionable performance measures and targets. These measures translate and clarify the Corporation's high-level vision, mission, values and strategic objectives into specific actionable business results.

ICBC is in the process of implementing a performance measurement and management system that will be used to assess the Corporation's progress towards reaching its strategic objectives and success in implementing its strategy. In 2000, ICBC developed two strategic perspectives with performance measure and targets for its corporate strategy. The following identifies ICBC's strategic objectives, performance measures, historical performance and targets.

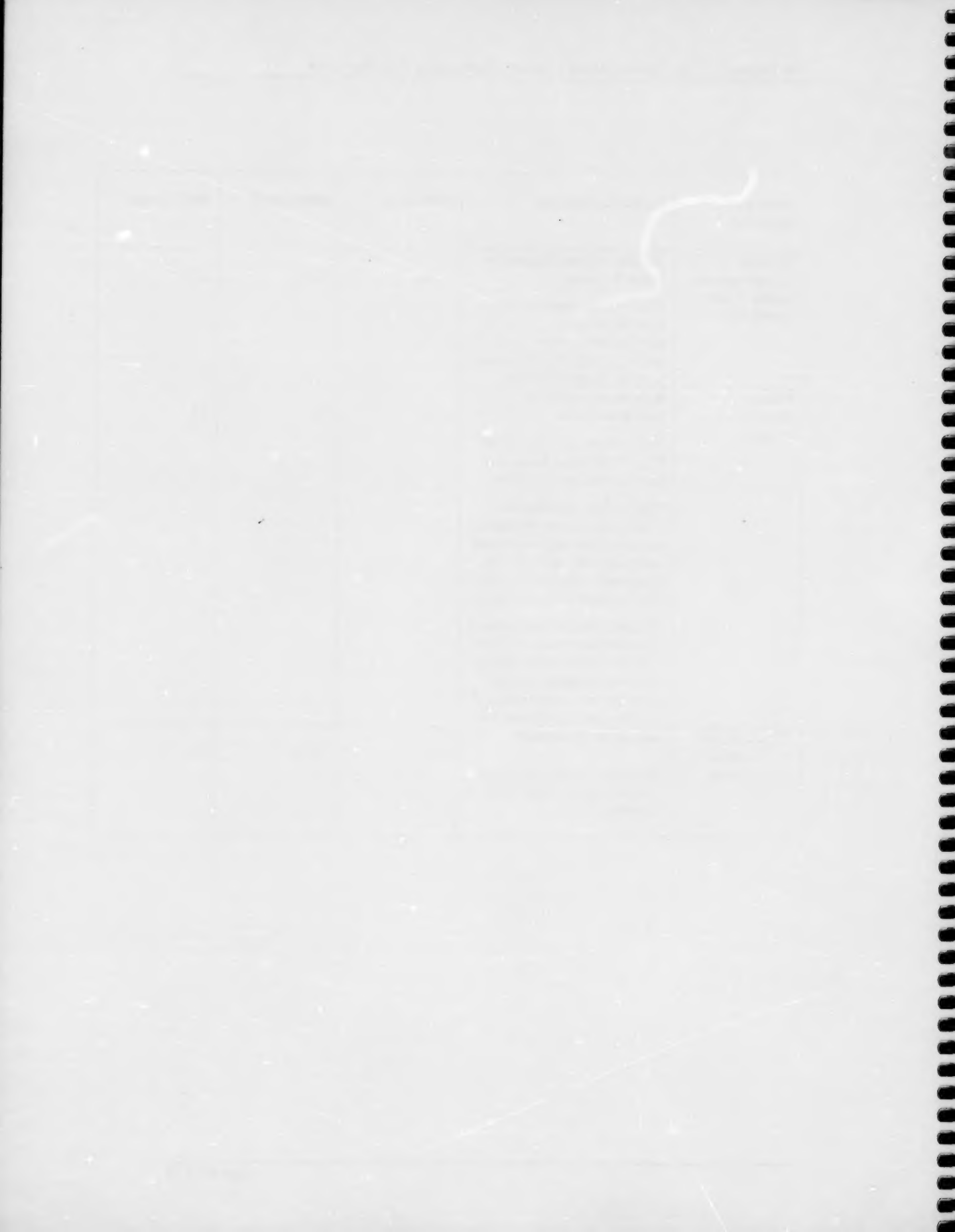
Strategic Objective - ICBC will be customer driven				
Strategic Objective	Corporate Measure	1999 Actual	2000 Actual	2001 Target
Minimize premiums	Percentage Premium Price Change Percentage premium price change on stated rates.	0%	0%	0%
Satisfy Customers	Customer Value Index This measure evaluates the overall expected value that customers place on the corporation's lines of business.	58.64%	58.77%	63%
Satisfy Customers (continued)	Percent Satisfied This measure evaluates customers satisfaction with one of the following transactions: insurance claim, Autoplan purchase, road test, knowledge test, or driver license renewal.	74.0%	76.4%	81%

Strategic Objective	Corporate Measure	1999 Actual	2000 Actual	2001 Target
Reduce crashes and crime	Total Crash and Crime Incidents per 100,000 Population This is defined as the number of crash and crime incidents ¹ that occurred during the calendar year within the province and have been reported to ICBC per 100,000 BC population	8,531	8,388	8,500

Strategic Objective	Corporate Measure	1999 Actual	2000 Actual	2001 Target
Manage claims costs and premium revenues	Loss Ratio Percentage of the premium dollar that pays claims including the cost of the claims, adjusting and estimating.	88.9%	84.5%	92.6%
Manage operating and admin. costs	Claims Cost Control Expense per reported claim Average cost of handling claims per reported claim.	\$367	\$367	\$385
	Total Expense per Gross Premiums Written The measure of the overall cost efficiency of operating our insurance business by determining how much of the insurance premium goes into operations and administration of the insurance business.	37.9%	37.6%	38.52%

¹ The incidents per 100K population is a count of crash/crime incidents per 100,000 people in the year. Incidents are not the same as the number of people involved. They are the count of occurrences rather than people. Crashes include fatal, injury, property damage incidents. Crimes include auto theft, vandalism, and theft from auto.

Strategic Objective	Corporate Measure	1999 Actual	2000 Actual	2001 Target
Manage operating and admin. Costs (continued)	Administration Expense to Gross Revenue This measure describes the costs for general administration support not specific to any line of business as a ratio to gross revenue	5.4%	5.9%	5.7%
Ensure financial stability	Rate Stabilization to Liabilities Ratio This measure is a ratio of the Rate Stabilization Reserve to the Corporation's liabilities. ICBC's Rate Stabilization Reserve is intended to protect motorists from significant rate increases made necessary by abnormally high losses arising from unusual events or factors. Private companies are required maintain larger reserves (15% - 25%) whereas ICBC, being a Crown Corporate, has the guarantee of the province and requires much lower reserves.	6.8%	8%	8%
Optimize yield on financial investments	Return on Investment Investment income as a ratio over the average book value of investments.	8%	10.8%	8%



MAJOR CAPITAL PROJECT INFORMATION

SURREY CITY CENTRE

Project Description and Objectives:

ICBC Properties Ltd. (IPL), a wholly owned subsidiary of ICBC, is responsible for ICBC's real estate development and management. IPL has its own board of directors and executive management team. By investing in real estate, the Corporation meets two key investment objectives. First, to diversify ICBC's investment portfolio, thereby reducing the risk of relying on a single type of investment. Second, to invest locally, strengthening ICBC's commitment and contribution to the social and economic development of communities throughout the province.

The Surrey City Centre development project is IPL's major real estate asset. Located next to the Surrey Central SkyTrain station, the first phase of the project incorporates the new Technical University of BC, ICBC offices, as well as other office and commercial space. Construction began on phase one in spring 2000 with the initial civic works and the new Galleria, podium and 25-storey office tower. This project is intended to result in a vibrant, multipurpose, City Centre that is safe, attractive, and which significantly enhances the social, business, academic, and innovative well-being of the community. This project is intended to earn an appropriate return on investment.

Costs:

The budget for this project is \$209 million of which \$151 million has been committed or expended and \$58 million remains. Related to the development project was the purchase of Surrey Place Mall for \$40 million. The project continues to proceed according to budget.

Benefits:

Beyond the financial return, significant non-financial benefits are expected to include:

- Direct employment resulting from construction, maintenance, and administration of the facility,
- Increased economic activity associated with the business needs of ICBC and TechBC,
- Enhanced utilization of existing transportation infrastructure, and
- Advantages derived from the synergies between ICBC, TechBC and other tenants.

Risks:

Development risks associated with this project include:

- *Financial* - Financial risk to the project include fluctuation in the price of steel, design errors and omissions, scope changes, and increases in construction costs.
- *Timing* - Interruption in the supply of materials or labour to the project may result in delays. No interruptions have been encountered to date.

Mitigation strategies are in place to manage development risks.

SUMMARY AND CONCLUSIONS

Our goal is to save lives and money, reducing the personal and financial costs of road transportation for everyone in British Columbia. This will be achieved by systematically implementing wide-ranging and effective loss prevention, protection and recovery initiatives our customers support and believe in.

What needs to be done could change many times before our vision becomes a reality. We have committed to a corporate strategy that is flexible and adaptable. Our objectives will not change, but the strategies we use to reach them may need to evolve as required.